

**DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2010**



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**Dallas Center-Grimes Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2010**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Before September, 2009 Election		
Douglas Rothfus	President	2011
David Eilers	Vice President	2009
Scott Brown	Board Member	2009
Del Gustafson	Board Member	2009
Angela Glasgow	Board Member	2011
Kathie Hicok	Board Member	2011
Ronnie Wiedman	Board Member	2011
After September, 2009 Election		
Douglas Rothfus	President	2011
David Eilers	Vice President	2013
Angela Glasgow	Board Member	2011
Kathie Hicok	Board Member	2011
Ronnie Wiedman	Board Member	2011
Scott Brown	Board Member	2013
Del Gustafson	Board Member	2013
<b>School District Officials</b>		
Gary Sinclair	Superintendent	2010
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2010
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite

## Independent Auditor's Report

To the Board of Education  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010 on our consideration of Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5-15 and 40-42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 28, 2010

The Dallas Center - Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This is the sixth year since implementing new reporting standards with significant changes in content and structure, and some of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In many summary sections, management has added references to financial data and situations of some previous years to assist with understanding data since the FY 2004 transition year.

### **FINANCIAL HIGHLIGHTS**

- ◆ General Fund revenues increased from \$15,994,292 in FY09 to 17,105,113 in FY10 while General Fund expenditures increased from \$15,767,700 in fiscal 2009 to \$16,374,689 in fiscal 2010. This resulted in a increase of \$730,424 in the District's General Fund balances, both reserved and unreserved, from \$2,476,796 in fiscal 2009 to \$3,207,220 in fiscal 2010.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in receipts of Federal funds of \$856,508 attributable the American Recovery and Reinvestment Act (ARRA) and property tax increase of \$895,027. State funding increased by \$1,062,474 attributable to increased state aid due to enrollment.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits. As student numbers increase, instructional supply expenditures increased as well.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explains how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this report are arranged and relate to one another.

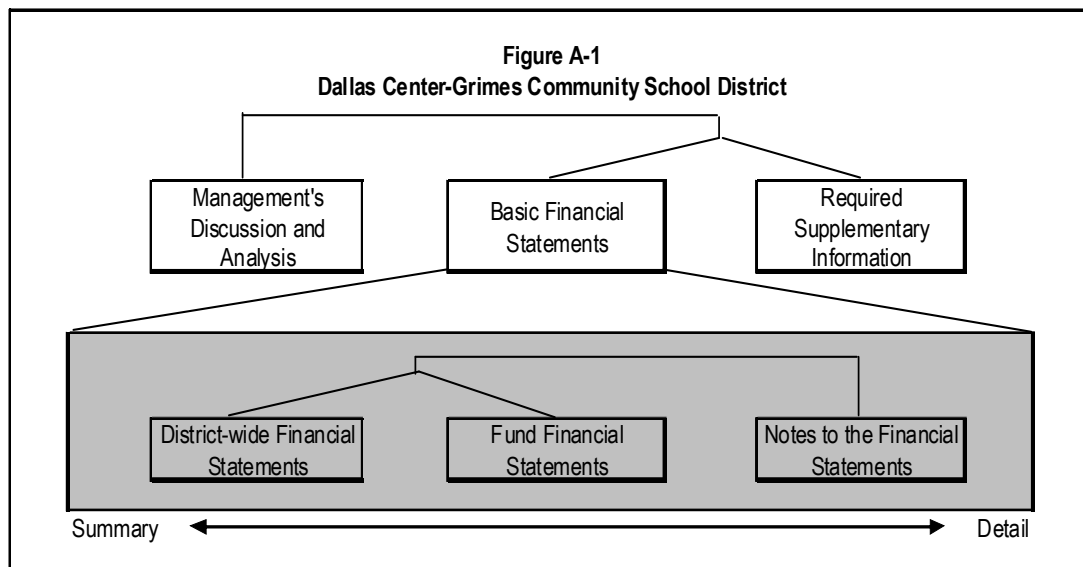




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services, farm account, and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Schoolhouse, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Bowersox Scholarship

### District-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

Review of DC-G Property Tax Valuations by Year				
Year	Taxable Valuation without TIF	Increase over previous year	Percent increase	
FY2001	\$ 270,537,874	\$ 34,145,130	12.62%	
FY2002	337,471,923	66,934,049	19.83%	
FY2003	354,464,375	16,992,452	4.79%	
FY2004	361,420,196	6,955,821	1.92%	
FY2005	383,341,568	21,921,372	5.72%	
FY2006	418,254,246	34,912,678	8.35%	
FY2007	453,208,099	34,953,853	7.71%	
FY2008	495,093,032	41,884,933	8.46%	
FY2009	550,887,628	55,794,596	10.13%	
FY2010	611,963,877	61,076,249	9.98%	

Dallas Center - Grimes Facilities by Age		
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988	
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002	
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004	
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002	
Dallas Center – Grimes Auditorium addition, Grimes	Opened 9-1-2005	
Dallas Center – Grimes Sports Complex, Grimes	Final phase 9-1-2006	
Dallas Center - Grimes North Ridge Elementary, Grimes	Opened 8-1-2008	

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.



The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, and PPEL fund.

- ◆ **Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.



The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund, Student Construction Fund, and the Farm Enterprise Fund.

- ◆ **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.



Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently three scholarship trust funds: Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, and Bowersox Scholarship funds.



Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to 2009.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 18,446	15,216	328	101	18,774	15,317	22.6%
Capital assets	35,517	36,468	243	282	35,760	36,750	-2.7%
Total assets	53,963	51,684	571	383	54,534	52,067	4.7%
Long-term liabilities	22,163	23,105		-	22,163	23,105	-4.1%
Other liabilities	11,709	10,306	200	18	11,909	10,324	15.4%
Total liabilities	33,872	33,411	200	18	34,072	33,429	1.9%
Net assets:							
Invested in capital assets, net of related debt	15,812	14,227	243	282	16,055	14,509	10.7%
Restricted	1,809	1,928	-	-	1,809	1,928	-6.2%
Unrestricted	2,470	2,118	128	83	2,598	2,201	18.0%
Total net assets	\$ 20,091	18,273	371	365	20,462	18,638	9.8%

The increase in the percentage of current and other assets are primarily due to restricted spending in FY10 in preparation of budget constraints expected in FY11 and board reserved fund in preparation of the opening of a new facility. Capital assets decreased slightly as there was no new construction completed in FY10.

Figure A-4 shows the change in net assets for the year ended June 30, 2009.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 2,011	1,757	936	734	2,947	2,491	18.3%
Operating grants, contributions and restricted interest	3,237	2,317	266	235	3,503	2,552	37.3%
General revenues:							
Property tax	9,958	8,922	-	-	9,958	8,922	11.6%
Statewide sales, services and use tax	1,406	1,698	-	-	1,406	1,698	-17.2%
Unrestricted state grants	5,206	6,333	-	-	5,206	6,333	-17.8%
Unrestricted investment earnings	26	60	-	2	26	62	-58.1%
Other	214	282	5	-	219	282	-22.3%
Total revenues	22,058	21,369	1,207	971	23,265	22,340	4.1%
Program expenses:							
Governmental activities:							
Instruction	12,435	12,009	-	-	12,435	12,009	3.5%
Support services	5,689	5,200	-	-	5,689	5,200	9.4%
Non-instructional programs	-	-	1,201	1,018	1,201	1,018	18.0%
Other expenses	2,116	1,969	-	-	2,116	1,969	7.5%
Total expenses	20,240	19,178	1,201	1,018	21,441	20,196	6.2%
Change in net assets	\$ 1,818	2,191	6	(47)	1,824	2,144	-14.9%

Property tax, sales and service tax, and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$22,061,929 and expenses were \$20,239,618.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 12,435	12,009	3.5%	7,904	8,556	-7.6%
Support services	5,689	5,200	9.4%	5,662	5,182	9.3%
Other expenses	2,116	1,969	7.5%	1,426	1,366	4.4%
<b>Totals</b>	<b>\$ 20,240</b>	<b>19,178</b>	<b>5.5%</b>	<b>14,992</b>	<b>15,104</b>	<b>-0.7%</b>



The cost financed by users of the District's programs was \$2,010,930.



Federal and state government subsidized certain programs with grants and contributions totaling \$3,237,312.



The net cost of governmental activities was financed with \$11,363,921 in property and other taxes and \$5,445,335 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$1,207,442 and expenses were \$1,201,357. The District's business type activities include the School Nutrition Fund, Student Construction, and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District did not increase meal prices. The District continues to contract food services with Taher, Incorporated of Minnesota.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,715,965. A significant increase to fund balance in the local option sales tax fund was observed as these funds are held for the upcoming building project. The previous year, governmental funds reported a combined fund balance of \$4,944,190.

### Governmental Fund Highlights



The district general fund balance increased in FY10. The general fund undesignated, unreserved fund balance increased from \$2,378,578 in FY09 to \$2,519,060 in FY10. The district's goal was to maintain a steady fund balance in the general fund. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 14.7%.



DC-G has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds. Significant student growth within a single year may inhibit the district's ability to maintain a constant property tax rate.








Over the past seven years the net impact of open enrollment has been very positive for DC-G. There is net \$699,658 more available for funding programs within our district in 09-10 due to positive net open enrollment.



In 2001-02, DC-G implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the district elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05, 2005-06 and 2006-07 fiscal years, the full instructional support levy amount was committed to current year spending. The district voted to renew its instructional levy in October 2008 for a five year period beginning July 1, 2009.



The district has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the district, and has allowed the regular operating budget to absorb other increases.

-  The district's administrative team and school board closely monitor monthly revenues and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant fund balance. However with economic downturn, a conscious decision to reserve a portion of the 2008-09 general fund revenue for use in 2009-10 was made to lessen the impact of likely state revenue shortfalls. Most of these funds were designated to a future year on August 30, 2010.
-  Due to the influx of Federal funds from the American Recovery and Reinvestment Act of 2009 (ARRA), the Board was able to make a further commitment toward lessening impact of state funding shortfalls expected in 2011-12. On August 30, 2010 the Board designated \$200,000 toward the opening of the new 8-9 building and \$300,000 toward funding state aid shortfalls expected in 2011-12.
-  The Physical Plant and Equipment Levy (PEEL) fund balance decreased from \$831,202 at the end of FY09 to \$688,318 at the end of FY10. Funds were spent primarily on school bus purchases, carpet replacement, and other district repairs and maintenance.
-  The Capital Projects funds increased from \$518,930 at the end of FY09 to \$1,769,427 at the end of FY10. Funds are being accumulated for the upcoming 8-9 building construction and other projects.
-  The Management fund balance decreased from \$305,582 at FY08 year end to \$206,011 at June 30, 2010. The fund balance is held in reserve in part due to high deductible option selected with our worker's compensation insurance.

### Proprietary Fund Highlights

School Nutrition cash/investments and inventories increased from \$90,080 at June 30, 2009 to \$102,359 at June 30, 2010. The Farm account cash/investments increased from \$10,760 at the close of FY09 to \$14,545 at FY10.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center - Grimes Community School District monitored the published budget. Budget amendments were needed in one of the four areas which was acted upon prior to exceeding that budgeted amount.

The District's receipts were \$730,251 lower than budgeted receipts, a variance of approximately 3%.

It is the district's practice to budget expenditures at levels up to the maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2010, the District had invested \$35.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$1,166,711.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010		2010		2010		2009-2010
	2010	2009	2010	2009	2010	2009	
Land	\$ 1,994	1,994	-	-	1,994	1,994	0.0%
Buildings	31,804	32,504	-	-	31,804	32,504	-2.2%
Improvements other than buildings	621	769	-	-	621	769	-19.2%
Furniture and equipment	1,098	1,201	243	282	1,341	1,483	-9.6%
Totals	\$ 35,517	36,468	243	282	35,760	36,750	-2.7%

At June 30, 2010, the District has \$22,115,944 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4% percent from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 of the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 21,135	22,105	-4.4%
Revenue bonds	-	155	-100.0%
Capital loan notes	340	500	-32.0%
Early retirement	641	345	85.8%
Other postemployment benefits	47	-	-
Totals	\$ 22,163	23,105	-4.1%

The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, purchase of Meadows land & build/furnish high school on Meadows land 1.26 million bond sold to begin construction and make land purchases	(Levy A only) Pass Levy B - Fail
November 23, 1999	Passage of the Polk County Local Option Sales Tax Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the \$9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue \$6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass
April 11, 2006	Bond issue 6.5 million for site acquisition, construction and furnishing a new elementary school (North Ridge Elementary)	Pass
April 11, 2006	Passage of voter-approved PPEL Levy not to exceed \$1.34/\$1,000	Pass
September 9, 2008	Revenue purpose statement SAVE/LOSST fund	Pass
September 14, 2010	QSCB General Obligation Bond \$11,315,000 Taxable for 8-9 building	Pass

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:



The district continues to experience enrollment growth. The district's population is currently estimated at 7,080 which is approximately 6% growth over the 2000 census, and over 70% growth since the 1990 census. The 2010 census is expected to increase over the latest figures.



Despite the current rate of enrollment growth, a bond issue for additional facilities was delayed until September 2010 due to the condition of the economy. This bond issue September 14, 2010 had an 82% positive vote in the election and construction will begin early in 2011 on a new 8-9 junior high facility in Grimes.



The largest home builder in the district, Regency Homes, Incorporated, has dissolved business in 2009. Other private homebuilders continue to select the Grimes area for new home construction. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth will greatly stress current facilities. The district continues to monitor growth of residential housing by monitoring the number of building permits granted and it is noted that recent data indicates a decline in new building permits filed within the District.



The ongoing downturn of the economy and discussion at the state level regarding across-the-board cuts and/or a reduction in allowable growth will play an important factor in meeting the needs of our growing district. Although the district has a healthy unspent balance and cash reserve, these funds could quickly be depleted. The Board has continually committed funds toward funding shortfalls in state aid projected in future years.



In September 2008, the district approved a new Statement of Purpose for the LOSST. This will allow a greater use of LOSST funds and adding to the capacity for projects that have primarily been PPEL projects.



In the fall of 2008, the district established a community wide facility committee. Although this committee was established for future facility needs, it was used for planning in the expected funding reduction in LOSST. This committee made its final recommendation to the Board in July 2009 recommending a new building project. This resulted in an election and two subsequent QSCB bond issues sold December 8, 2010 which will fund new construction of an 8-9 facility.



The district currently has two sources that can be used to build and maintain buildings. Bonding capacity is about \$15,000,000, the district has Board and voter approved PPEL allowed to be as high as \$1.67 per thousand, and the districts current county LOSST that will transfer to the state-wide plan as each expire. Due to current economic conditions, the district will need to be very careful how these funds are used and what is requested from patrons in the form of a bond issue. The district will attempt to use LOSST funds for ongoing repair and maintenance of facilities rather than additional bonding of these revenue based funds.



Along with growth, transportation needs to transport students to school locations continues to grow. The district has purchased two new buses and two used buses during the last year. The district will need to maintain a level of at least two bus purchases in the future which has been included in the district ten-year PPEL planning.



The district has a limited transportation facility at this time, and with a growing fleet the need for a central location to store and perform maintenance on the fleet increases. Land was purchased at the edge of Grimes for this future purpose. The District will need to locate central storage and warehousing, and it may be feasible to combine a bus storage and maintenance facility with central warehousing at this location. Although the land was purchased in 2008-09 using LOSST funds, the project will not begin until some time in the future, likely using PPEL funding.



Fiscal 2010 was the second year of a three-year contract with the Dallas Center-Grimes Education Association. The Board is working to increase teachers' salaries to be more comparable to the metro area, giving teachers 67% of new money for the 2009-10 school year. Future increases are tied to the allowable growth set by the state, which allows for a positive situation for the district. If needed, staff increases can be limited to lane, step, and insurance increases.



For the district's most recent bond, the bond rating was issued by Moody's Investing Service for the fourth time. The rating is A3.



Over the past several years, the district net open enrollment in and out number has improved dramatically. The district will need to be careful of funding ongoing expenditures with funds as variable as open enrollment and make immediate changes in staffing levels if open enrollment drops. The district needs to continue to foster open enrollment to the extent that facilities allow.



In the January 1, 2010 assessment of District taxable valuation, property values increased by 11.09%. Although the District has seen valuation increases of greater than 14% in previous years, a five-year rolling average is being used to plan for growth when projecting ability to bond in the future with a 50% reduction implemented for the next three years. This is due to the decline in the housing and construction markets. With the many variables associated with property tax valuation such as agricultural valuation changes in Dallas County, TIF valuation changes, and reassessment of properties, the District will monitor closely as it may not experience the same historic levels of taxable property valuation growth.





Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIFs will have a negative impact on property tax rate. The district must continue to monitor and oppose TIFs that negatively impact the district.



The district has grown an average of 54 students per year for the past seven years. The district experienced record growth in the 2007-08 school year increasing by 128 students. The growth recorded in September 2008 was 63 students, September 2009 was 53 students, and September 2010 was 58 students. Although this level of growth is not planned for the future, it is prudent for the district to plan for growth of 50 to 75 students per year.



To the south of the Grimes area, Aurora Business Park, L.L.C. has continued construction of a projected \$300 million dollar business park within school boundaries. This development will significantly increase property valuation, and will be the workplace of nearly one-thousand employees. This development may have an impact upon the enrollment of the District. Unfortunately, the area is a TIF area so general fund valuation will not grow with the development.



In the past year Wal-Mart opened a new store in the City of Grimes. Although not in the school district, the expected and planned retail development will impact the district's taxable valuation and enrollment.



Residential building permits are being requested well below the previous five years. The district will need to closely monitor changes in enrollment and make staffing changes immediately. Failure to monitor an/or to react to enrollment declines will negatively impact the district's budget.



The reduced state support of the school aid formula through a state aid reduction and the supplanting with federal dollars will create a significant concern regarding state aid funding for the 2011-12 fiscal year. Although the district has taken steps to work through the expected decline, a prolonged period of insufficient state aid support will impact the district financial position.



Although current facilities are in great condition, there has been an increasing need for annual facility maintenance funds, as district facilities are no longer under warranty and start to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs.



The rapid addition of facilities has been fostered by significant residential and commercial taxable valuation growth. A decrease in this rate of growth will likely have an impact on the district property tax rate. Although district enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.



Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.



Energy costs continue to be an increasing portion of the district's budget. The district has undertaken and completed a \$800,000 project over a three-year period to upgrade mechanical and electrical systems. Most of the elements of this project are energy conservation related, which should help lower energy cost in the future. This project is being funded by a five-year PPEL bond and annual revenue.



Funding from the State of Iowa in FY10 was cut by nearly one million dollars through December 31, 2009. The district has taken positive steps to counterbalance such situations by using a variety of financial tools and extensive financial planning models for the future. These tools include activities such as under spending FY09 and FY10 revenues, an enhanced early retirement model in FY10, adjustments in fund rates, careful planning for use of ARRA funding, use of and increased cash reserve, and prudent fiscal management will assist the district in managing such shortfalls from the state.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

## **Basic Financial Statements**

**Dallas Center-Grimes Community School District**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments			
Other	\$ 6,018,669	272,813	6,291,482
Receivables:			
Property tax:			
Delinquent	155,201	-	155,201
Succeeding year	11,076,388	-	11,076,388
Accounts	22,783	2,100	24,883
Due from other funds	198,041	-	198,041
Due from other governments	377,863	-	377,863
Inventories	-	15,740	15,740
Prepaid expense	-	37,924	37,924
Deferred bond costs	596,667	-	596,667
Capital assets, net of accumulated depreciation	35,517,219	242,271	35,759,490
<b>Total assets</b>	<b>53,962,831</b>	<b>570,848</b>	<b>54,533,679</b>
<b>Liabilities</b>			
Accounts payable	228,466	1,762	230,228
Salaries and benefits payable	283,667	-	283,667
Due to other funds	-	198,041	198,041
Accrued interest payable	118,697	-	118,697
Unearned revenue:			
Succeeding year property tax	11,076,388	-	11,076,388
Other	1,378	-	1,378
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	995,000	-	995,000
Capital loan note payable	165,000	-	165,000
Early retirement	139,748	-	139,748
Portion due after one year:			
General obligation bonds payable	20,140,000	-	20,140,000
Capital loan note payable	175,000	-	175,000
Early retirement	501,196	-	501,196
Net OPEB liability	47,595	405	48,000
<b>Total liabilities</b>	<b>33,872,135</b>	<b>200,208</b>	<b>34,072,343</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	15,811,646	242,271	16,053,917
Restricted for:			
Management levy	206,011	-	206,011
Physical plant and equipment levy	688,318	-	688,318
Debt service	562,798	-	562,798
Other special revenue purposes	163,494	-	163,494
Categorical funding	188,160	-	188,160
Unrestricted	2,470,269	128,369	2,061,049
<b>Total net assets</b>	<b>\$ 20,090,696</b>	<b>370,640</b>	<b>20,461,336</b>

See notes to financial statements.

**Dallas Center-Grimes Community School District**  
**Statement of Activities**  
**Year ended June 30, 2010**

Functions/Programs	Program Revenues					Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 7,894,974	1,395,809	1,965,549	(4,533,616)	-	(4,533,616)
Special instruction	2,655,748	220,065	500,564	(1,935,119)	-	(1,935,119)
Other instruction	1,884,490	395,056	54,074	(1,435,360)	-	(1,435,360)
	12,435,212	2,010,930	2,520,187	(7,904,095)	-	(7,904,095)
Support Services:						
Student	309,869	-	-	(309,869)	-	(309,869)
Instructional staff	715,721	-	-	(715,721)	-	(715,721)
Administration	1,903,319	-	-	(1,903,319)	-	(1,903,319)
Operating and maintenance of plant	1,940,312	-	-	(1,940,312)	-	(1,940,312)
Transportation	819,971	-	27,777	(792,194)	-	(792,194)
	5,689,192	-	27,777	(5,661,415)	-	(5,661,415)
Other expenditures:						
Facilities acquisition	414,834	-	-	(414,834)	-	(414,834)
Long-term debt interest	1,011,032	-	-	(1,011,032)	-	(1,011,032)
AEA flowthrough	689,348	-	689,348	-	-	-
	2,115,214	-	689,348	(1,425,866)	-	(1,425,866)
Total governmental activities	20,239,618	2,010,930	3,237,312	(14,991,376)	-	(14,991,376)
Business type activities:						
Non-instructional programs:						
Food service operations	992,203	716,353	265,595	-	(10,255)	(10,255)
Student construction	205,397	212,144	-	-	6,747	6,747
Farm account	3,757	7,450	-	-	3,693	3,693
	1,201,357	935,947	265,595	-	185	185
Total primary government	\$ 21,440,975	2,946,877	3,502,907	(14,991,376)	185	(14,991,191)

**Dallas Center-Grimes Community School District**  
**Statement of Activities**  
**Year ended June 30, 2010**

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
					Total
<b>Totals from previous page</b>	<b>\$ 21,440,975</b>	<b>2,946,877</b>	<b>3,502,907</b>	<b>(14,991,376)</b>	<b>185 (14,991,191)</b>
General Revenues:					
Property tax levied for:					
General purposes				7,220,533	- 7,220,533
Debt service				1,909,596	- 1,909,596
Capital outlay				827,660	- 827,660
Statewide sales and services tax				1,406,132	- 1,406,132
Unrestricted state grants				5,205,811	- 5,205,811
Unrestricted investment earnings				25,684	371 26,055
Other				185,157	- 185,157
Gain (loss) on disposal of capital assets				(4,431)	- (4,431)
Contributions not restricted to specific programs				33,114	5,529 38,643
Total general revenues and capital contributions				16,809,256	5,900 16,815,156
Change in net assets				1,817,880	6,085 1,823,965
Net assets beginning of year				18,272,816	364,555 18,637,371
Net assets end of year				\$ 20,090,696	370,640 20,461,336

See notes to financial statements.

## Exhibit C

**Dallas Center-Grimes Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Non-major Governmental	Total
<b>Assets and Other Debits</b>						
Cash and pooled investments						
Other	\$ 3,297,858	56,062	1,655,663	701,162	307,924	6,018,669
Receivables:						
Property tax:						
Current year delinquent	107,524	28,766	-	13,089	5,822	155,201
Succeeding year	7,513,166	1,817,196	-	1,109,027	636,999	11,076,388
Accounts	10,604	-	-	-	12,179	22,783
Due from other funds	-	-	-	-	198,041	198,041
Due from other governments	264,099	-	113,764	-	-	377,863
Deferred bond costs	-	596,667	-	-	-	596,667
<b>Total assets and other debits</b>	<b>\$ 11,193,251</b>	<b>2,498,691</b>	<b>1,769,427</b>	<b>1,823,278</b>	<b>1,160,965</b>	<b>18,445,612</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 187,820	-	-	25,933	14,713	228,466
Salaries and benefits payable	283,667	-	-	-	-	283,667
Early retirement payable	-	-	-	-	139,748	139,748
Deferred revenue:						
Succeeding year property tax	7,513,166	1,817,196	-	1,109,027	636,999	11,076,388
Other	1,378	-	-	-	-	1,378
<b>Total liabilities</b>	<b>7,986,031</b>	<b>1,817,196</b>	<b>-</b>	<b>1,134,960</b>	<b>791,460</b>	<b>11,729,647</b>
Fund balances:						
Reserved for:						
Debt service	-	681,495	-	-	-	681,495
Categorical funding	188,160	-	-	-	-	188,160
Unreserved:						
Designated for special purposes by the Board	500,000	-	-	-	-	500,000
Undesignated	2,519,060	-	1,769,427	688,318	369,505	5,346,310
<b>Total fund balances</b>	<b>3,207,220</b>	<b>681,495</b>	<b>1,769,427</b>	<b>688,318</b>	<b>369,505</b>	<b>6,715,965</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,193,251</b>	<b>2,498,691</b>	<b>1,769,427</b>	<b>1,823,278</b>	<b>1,160,965</b>	<b>18,445,612</b>

See notes to financial statements.

Exhibit D

**Dallas Center-Grimes Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2010**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 6,715,965</b>
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***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	35,517,219
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(118,697)
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Long-term liabilities, including bonds and notes payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(22,023,791)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 20,090,696</u></b>
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See notes to financial statements.

## Exhibit E

**Dallas Center-Grimes Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2010**

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Non-major Governmental	Total
Revenues:						
Local sources:						
Local tax	\$ 6,851,105	1,909,596	1,406,132	827,660	369,428	11,363,921
Tuition	1,395,539	-	-	-	-	1,395,539
Other	413,933	34,490	2,481	8,097	398,295	857,296
State sources	7,015,704	395	-	166	76	7,016,341
Federal sources	1,428,832	-	-	-	-	1,428,832
Total revenues	17,105,113	1,944,481	1,408,613	835,923	767,799	22,061,929
Expenditures:						
Current:						
Instruction:						
Regular	7,172,216	-	-	-	183,236	7,355,452
Special	2,641,397	-	-	-	-	2,641,397
Other	917,360	-	-	-	350,916	1,268,276
	10,730,973	-	-	-	534,152	11,265,125
Support services:						
Student	304,895	-	-	-	-	304,895
Instructional staff	622,790	-	-	-	-	622,790
Administration	1,699,554	-	-	150,056	-	1,849,610
Operation and maintenance of plant	1,608,567	-	-	41,178	274,474	1,924,219
Transportation	718,562	-	-	193,039	11,378	922,979
	4,954,368	-	-	384,273	285,852	5,624,493
Other expenditures:						
Facilities acquisition	-	-	-	414,834	-	414,834
Long-term debt:						
Principal	-	1,285,301	-	-	-	1,285,301
Interest and fiscal charges	-	951,386	-	-	-	951,386
Bond issuance costs	-	59,667	-	-	-	59,667
AEA flowthrough	689,348	-	-	-	-	689,348
	689,348	2,296,354	-	414,834	-	3,400,536
Total expenditures	16,374,689	2,296,354	-	799,107	820,004	20,290,154
Excess (deficiency) of revenues over (under) expenditures	730,424	(351,873)	1,408,613	36,816	(52,205)	1,771,775
Other financing sources (uses):						
General obligation bonds issued	-	7,020,000	-	-	-	7,020,000
Payment to refunded bond escrow agent	-	(7,020,000)	-	-	-	(7,020,000)
Interfund transfer	-	337,816	(158,116)	(179,700)	-	-
Total other financing sources (uses)	-	337,816	(158,116)	(179,700)	-	-
Net change in fund balances	730,424	(14,057)	1,250,497	(142,884)	(52,205)	1,771,775
Fund balances beginning of year	2,476,796	695,552	518,930	831,202	421,710	4,944,190
Fund balances end of year	\$ 3,207,220	681,495	1,769,427	688,318	369,505	6,715,965

See notes to financial statements.



Exhibit F

**Dallas Center-Grimes Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2010**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,771,775**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 220,312	
Depreciation expense	(1,166,711)	
Gain (loss) on disposal of capital assets	<u>(4,431)</u>	(950,830)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	(7,020,000)	
Repaid	<u>8,305,301</u>	1,285,301

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(240,792)	
Other postemployment benefits	<u>(47,595)</u>	(288,387)

**Change in net assets of governmental activities (Exhibit B)** **\$ 1,817,880**

See notes to financial statements.

Exhibit G

**Dallas Center-Grimes Community School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Enterprise Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 272,813
Accounts receivable	2,100
Inventories	15,740
Prepaid expense	37,924
Capital assets, net of accumulated depreciation	242,271
<b>Total assets</b>	<b>570,848</b>
<b>Liabilities</b>	
Accounts payable	1,762
Due to other funds	198,041
Net OPEB liability	405
<b>Total liabilities</b>	<b>200,208</b>
<b>Net assets</b>	
Invested in capital assets, net of related debt	242,271
Unrestricted	128,369
<b>Total net assets</b>	<b>\$ 370,640</b>

See notes to financial statements.

## Exhibit H

**Dallas Center-Grimes Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	Enterprise Funds
Operating revenues:	
Local sources	
Operating revenues	\$ 935,947
Operating expenses:	
Instructional programs:	
Support services:	
Services	116,488
Supplies	82,706
Miscellaneous	9,960
	209,154
Non-instructional programs:	
Food service operations:	
Salaries	41,222
Benefits	12,198
Services	837,499
Supplies	61,415
Depreciation	39,869
	992,203
Total operating expenses	1,201,357
Operating loss	(265,410)
Non-operating revenues:	
State sources	9,058
Federal sources	256,537
Local sources	5,900
Total non-operating revenues	271,495
Changes in net assets	6,085
Net assets beginning of year	364,555
Net assets end of year	\$ 370,640

See notes to financial statements.

**Dallas Center-Grimes Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 708,661
Cash received from miscellaneous operating activities	225,186
Cash payments to employees for services	(53,015)
Cash payments to suppliers for goods or services	(1,095,011)
Net cash used by operating activities	<u>(214,179)</u>
Cash flows from non-capital financing activities:	
Operating contributions	5,529
State grants received	9,058
Federal grants received	195,583
Net cash provided by non-capital financing activities	<u>210,170</u>
Cash flows from capital and related financing activities:	
Interfund loan	197,941
Net cash provided by capital and related financing activities	<u>197,941</u>
Cash flows from investing activities:	
Interest on investments	<u>371</u>
Net increase in cash and cash equivalents	194,303
Cash and cash equivalents at beginning of year	<u>78,510</u>
Cash and cash equivalents at end of year	<u><u>\$ 272,813</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (265,410)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	60,954
Depreciation	39,869
(Increase) in accounts receivable	(2,100)
Decrease in inventories	6,590
(Increase) in prepaid expense	(37,924)
(Decrease) in accounts payable	(16,563)
Increase in other postemployment benefits	405
Net cash used by operating activities	<u><u>\$ (214,179)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to</b>	
<b>specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 272,813
Cash and cash equivalents at year end	<u><u>\$ 272,813</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received federal commodities valued at \$60,954.

See notes to financial statements.

Exhibit J

**Dallas Center-Grimes Community School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 153,401	10,119
<b>Total assets</b>	153,401	10,119
<b>Liabilities</b>		
Accounts payable	-	10,119
<b>Total liabilities</b>	-	10,119
<b>Net assets</b>		
Reserved for scholarships	153,401	-
<b>Total net assets</b>	\$ 153,401	-

See notes to financial statements.

Exhibit K

**Dallas Center-Grimes Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2010**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 62,377
Interest income	1,396
Total additions	63,773
Deductions:	
Support services:	
Scholarships awarded	58,400
Change in net assets	5,373
Net assets beginning of year	148,028
Net assets end of year	\$ 153,401

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Dallas Center-Grimes Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The District's proprietary funds consist of three Enterprise funds: School Nutrition, Student Construction and School Farm Account. These funds are used to account for the food service operations, student construction operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.



Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the following:

Iowa Schools Joint Investment Trust	
Diversified portfolio	\$ 93,167
IPASeducation Program:	
Institutional Money Market	3
City State Bank CD	250,666
	<u>\$ 343,836</u>

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust and the IPASeducation program were both rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program share. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 158,116
Debt service	PPEL	179,700
		<u>\$ 337,816</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,993,829	-	-	1,993,829
Total capital assets not being depreciated	1,993,829	-	-	1,993,829
Capital assets being depreciated:				
Buildings	38,553,667	-	-	38,553,667
Improvements other than buildings	1,436,448	-	-	1,436,448
Furniture and equipment	3,629,360	220,312	19,782	3,829,890
Total capital assets being depreciated	43,619,475	220,312	19,782	43,820,005
Less accumulated depreciation for:				
Buildings	6,049,118	700,585	-	6,749,703
Improvements other than buildings	667,812	147,465	-	815,277
Furniture and equipment	2,428,325	318,661	15,351	2,731,635
Total accumulated depreciation	9,145,255	1,166,711	15,351	10,296,615
Total capital assets being depreciated, net	34,474,220	(946,399)	4,431	33,523,390
Governmental activities capital assets, net	\$ 36,468,049	(946,399)	4,431	35,517,219
<b>Business type activities:</b>				
Furniture and equipment	\$ 481,357	-	-	481,357
Less accumulated depreciation	199,217	39,869	-	239,086
Business type activities capital assets, net	\$ 282,140	(39,869)	-	242,271

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 293,590
Special	5,440
Other	615,606

Support services:

Student support	2,544
Instructional staff	89,893
Administration	52,291
Operation and maintenance of plant	12,447
Transportation	94,900

Total governmental activities depreciation expense \$ 1,166,711

Business type activities:

Food services	<u>\$ 39,869</u>
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Refunded	Balance End of Year	Due Within One Year
Governmental activities:						
General obligation bonds	\$ 22,105,000	7,020,000	7,990,000	-	21,135,000	995,000
Revenue bonds	155,301	-	155,301	-	-	-
Capital loan note	500,000	-	160,000	-	340,000	165,000
Early retirement	344,849	380,540	84,445	-	640,944	139,748
Net OPEB liability	-	47,595	-	-	47,595	-
Total	\$ 23,105,150	7,448,135	8,389,746	-	22,163,539	1,299,748
Business-type activities:						
Net OPEB liability	\$ -	405	-	-	405	-

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year ending	Bond Issue of November 1, 2002			Bond Issue of July 1, 2004			Bond Issue of June 1, 2006		
	Int Rate			Int Rate			Int Rate		
June 30,	%	Principal	Interest	%	Principal	Interest	%	Principal	Interest
2011	5.00	\$ 230,000	235,732	4.10	10,000	141,792	3.900	165,000	241,370
2012	5.00	240,000	224,232	4.25	10,000	141,383	3.900	175,000	234,935
2013	4.00	250,000	212,232	4.25	10,000	140,957	3.900	180,000	228,110
2014	3.70	260,000	202,232	4.30	10,000	140,533	3.900	185,000	221,090
2015	3.85	275,000	192,612	4.30	10,000	140,102	3.950	195,000	213,875
2016	4.00	285,000	182,025	4.30	10,000	139,673	4.000	205,000	206,173
2017	4.10	305,000	170,625	4.40	10,000	139,242	4.050	195,000	197,972
2018	4.15	315,000	158,120	4.45	10,000	138,803	4.100	200,000	190,075
2019	4.25	325,000	145,047	4.50	10,000	138,357	4.100	215,000	181,875
2020	4.30	345,000	131,235	4.55	10,000	137,908	4.125	220,000	173,060
2021	4.40	1,275,000	116,400	4.65	10,000	137,452	4.150	90,000	163,985
2022	4.50	1,340,000	60,300	4.75	5,000	136,988	4.200	90,000	160,250
2023	-	-	-	5.00	1,335,000	136,750	4.200	165,000	156,470
2024	-	-	-	5.00	1,400,000	70,000	4.200	170,000	149,540
2025	-	-	-	-	-	-	4.200	1,650,000	142,400
2026	-	-	-	-	-	-	4.250	1,720,000	73,100
		5,445,000	2,030,792		2,850,000	1,879,940		5,820,000	2,934,280

General Obligation Bonds Payable (continued)

Year ending June 30,	Bond Issue of April 1, 2010			Total		
	Int Rate %	Principal	Interest	Principal	Interest	Total
2011	2.250	590,000	200,899	995,000	819,793	1,814,793
2012	2.300	645,000	172,170	1,070,000	772,720	1,842,720
2013	2.500	635,000	157,335	1,075,000	738,634	1,813,634
2014	2.500	655,000	141,460	1,110,000	705,315	1,815,315
2015	2.500	680,000	125,085	1,160,000	671,674	1,831,674
2016	2.500	700,000	108,085	1,200,000	635,956	1,835,956
2017	2.650	735,000	90,585	1,245,000	598,424	1,843,424
2018	2.800	765,000	71,108	1,290,000	558,106	1,848,106
2019	3.000	790,000	49,687	1,340,000	514,966	1,854,966
2020	3.150	825,000	25,987	1,400,000	468,190	1,868,190
2021	-	-	-	1,375,000	417,837	1,792,837
2022	-	-	-	1,435,000	357,538	1,792,538
2023	-	-	-	1,500,000	293,220	1,793,220
2024	-	-	-	1,570,000	219,540	1,789,540
2025	-	-	-	1,650,000	142,400	1,792,400
2026	-	-	-	1,720,000	73,100	1,793,100
		<u>7,020,000</u>	<u>1,142,401</u>	<u>\$21,135,000</u>	<u>7,987,413</u>	<u>29,122,413</u>

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008, were \$687,652, \$642,153, and \$529,550, respectively, equal to the required contributions for each year.

**(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 219 active and 18 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**Dallas Center-Grimes Community School District**  
**Notes to Financial Statements**  
**June 30, 2010**

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The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	204,000
Contributions made		156,000
Increase in net OPEB obligation		48,000
Net OPEB obligation beginning of year		<u>-</u>
Net OPEB obligation end of year	\$	<u>48,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$156,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 204,000	76.47%	\$ 48,000

**Funded Status and Funding Progress** - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$2,190,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,190,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,300,000, and the ratio of the UAAL to covered payroll was 21.3%. As of June 30, 2010, there were no trust fund assets.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan range from \$368.49 per month to \$557.05 per month per retiree, and \$1,135.75 for one retired administrator, and is based upon the cost at the time of their retirement. The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Termination Benefits**

The District offered a voluntary early retirement plan to its full-time, certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must have completed an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2010 totaled \$84,445. The District did not renew this plan for the fiscal year ending June 30, 2011 but may choose to renew in the future.

**(9) Risk Management**

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$689,348 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Related Party Transaction**

The District had business transactions totaling \$31,485 between the District and District officials during the year ended June 30, 2010.

**(12) Subsequent Event**

The District has issued two new bond issues dated November 8, 2010 for the construction of a new grade 8-9 building, sports complex renovations and a bus barn/central warehouse facility. The issues consist of a \$11,315,000 General Obligation Bond and a \$4,635,000 Sales and Service Tax Revenue Bond.



### **Required Supplementary Information**

**Dallas Center-Grimes Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance-Favorable (Unfavorable)
				Original	Final	
Revenues:						
Local sources	\$ 13,616,756	941,847	14,558,603	13,961,794	13,961,794	596,809
State sources	7,016,341	9,058	7,025,399	9,565,416	9,565,416	(2,540,017)
Federal sources	1,428,832	256,537	1,685,369	472,412	472,412	1,212,957
Total revenues	22,061,929	1,207,442	23,269,371	23,999,622	23,999,622	(730,251)
Expenditures:						
Instruction	11,265,125	209,154	11,474,279	11,561,057	11,561,057	86,778
Support services	5,624,493	-	5,624,493	5,808,567	5,808,567	184,074
Non-instructional programs	-	992,203	992,203	945,395	1,200,000	207,797
Other expenditures	3,400,536	-	3,400,536	5,563,125	5,563,125	2,162,589
Total expenditures	20,290,154	1,201,357	21,491,511	23,878,144	24,132,749	2,641,238
Excess (deficiency) of revenues over (under) expenditures	1,771,775	6,085	1,777,860	121,478	(133,127)	1,910,987
Balance beginning of year	4,944,190	364,555	5,308,745	4,677,914	4,677,914	630,831
Balance end of year	\$ 6,715,965	370,640	7,086,605	4,799,392	4,544,787	2,541,818

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2010**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

**Dallas Center-Grimes Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 2,190,000	\$ 2,190,000	0.0%	\$ 10,300,000	21.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

### **Other Supplementary Information**

## Schedule 1

**Dallas Center-Grimes Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2010**

		Special Revenue Funds		
		Management	Student	
		Levy	Activity	Total
<b>Assets</b>				
Cash and pooled investments		\$ 146,896	161,028	307,924
Receivables:				
Property tax:				
Current year delinquent		5,822	-	5,822
Succeeding year		636,999	-	636,999
Accounts		-	12,179	12,179
Due from other funds		198,041	-	198,041
<b>Total assets</b>		<b>\$ 987,758</b>	<b>173,207</b>	<b>1,160,965</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable		\$ 5,000	9,713	14,713
Early retirement payable		139,748	-	139,748
Deferred revenue:				
Succeeding year property tax		636,999	-	636,999
Total liabilities		781,747	9,713	791,460
Fund balances:				
Unreserved, undesignated fund balance		206,011	163,494	369,505
<b>Total liabilities and fund balances</b>		<b>\$ 987,758</b>	<b>173,207</b>	<b>1,160,965</b>

See accompanying independent auditor's report.

## Schedule 2

**Dallas Center-Grimes Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2010**

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 369,428	-	369,428
Other	13	398,282	398,295
State sources	76	-	76
Total revenues	369,517	398,282	767,799
Expenditures:			
Current:			
Instruction:			
Regular	183,236	-	183,236
Other	-	350,916	350,916
Support Services:			
Operation and maintenance of plant	274,474	-	274,474
Transportation	11,378	-	11,378
Total expenditures	469,088	350,916	820,004
Excess (deficiency) of revenues over (under) expenditures	(99,571)	47,366	(52,205)
Fund balances beginning of year	305,582	116,128	421,710
Fund balances end of year	\$ 206,011	163,494	369,505

See accompanying independent auditor's report.

## Schedule 3

**Dallas Center-Grimes Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2010**

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Annuals	\$ 2,480	6,153	4,605	-	4,028
Art Club	1,077	-	-	-	1,077
Athletics	990	30,190	16,107	(8,874)	6,199
Athletics Resale	(1,580)	29,533	30,321	2,368	-
HS/MS/Elem Band Resale	4,281	14,355	18,644	8	-
Baseball	-	2,945	7,538	4,593	-
Boosters	(6,320)	58,637	52,317	-	-
Boys/Girls Basketball	-	30,800	31,576	776	-
Camps and Clinics	2,600	-	-	(2,600)	-
Character Counts	418	-	-	-	418
Class of:					
2010	2,527	20	2,547	-	-
2011	4,177	2,830	3,009	-	3,998
2012	2,260	2,007	-	-	4,267
2013	-	2,127	-	-	2,127
Co-ed Track	(188)	11,790	11,189	-	413
Cross Country	-	1,314	1,319	5	-
DC Presbyterian Student Emergency Fund	8,221	80	-	-	8,301
Drama/Speech	2,601	-	699	-	1,902
Drill Team	319	-	-	-	319
Football	2,442	29,117	31,793	234	-
French Club	685	-	-	-	685
FFA	7,916	22,819	9,435	(186)	21,114
FHA	1,936	466	468	-	1,934
Girls Softball	-	7,684	11,177	3,493	-
Golf	-	-	310	310	-
HS Bakers	336	1,040	962	-	414
HS Enterprise	517	466	406	-	577
HS Student Council	5,287	3,872	4,703	-	4,456
HS Honor Society	698	352	798	-	252
HS Cheerleading	760	1,526	-	-	2,286
HS Dance Marathon	500	4,294	4,294	-	500
HS Juice/Pop Machine	3,393	10,012	5,614	-	7,791
HS Sign-Monument Fundraiser	810	-	688	-	122
HS Band/Vocal Fundraiser	-	68	61	-	7
Horticulture Club	416	1,130	1,732	186	-
Interest	2,291	3,225	439	6,000	11,077
Soccer	-	12,847	13,090	243	-
Musical	4,240	2,898	357	-	6,781
Mustang Statue Fundraiser	(1,257)	1,257	-	-	-
P.A.L.S.	34	1,645	708	-	971
Picture Fund	2,100	8,721	5,155	-	5,666
SADD	550	-	170	-	380
Spanish Club	6,638	-	-	(6,000)	638
Volleyball	-	5,257	6,281	1,024	-
Washington DC fundraiser	-	1,898	2,105	800	593
Wind Commissioning Project	1,000	-	-	-	1,000
Wrestling	-	7,515	7,638	123	-



## Schedule 3

**Dallas Center-Grimes Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2010**

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
HS/MS/Elem Vocal Resale	5,246	12,172	11,291	(1,352)	4,775
Jr. High Annual	3,745	6,243	4,825	-	5,163
Jr. High Cheerleading	1,922	-	-	-	1,922
Jr. High Juice/Pop Machine	6,756	7,152	9,836	1,343	5,415
Jr. High Student Council	6,199	15,274	9,349	(800)	11,324
MS Athletics	2,357	3,453	100	(1,694)	4,016
MS Band/Vocal Fundraiser	-	2,295	-	(811)	1,484
MS Musical	-	933	1,744	811	-
Northridge Fundraiser	3,282	627	2,351	338	1,896
Kiwanis Key Club	-	2,346	2,041	-	305
Seniors Against Cancer 2010	-	8,557	8,521	-	36
K. Reed Baseball Fundraiser	-	7,155	-	-	7,155
Spec underwriters Equip repair	(176)	232	56	-	-
Elementary Fundraiser - Grimes	5,675	2,250	-	-	7,925
Elementary Fundraiser - D.C.	8,428	2,477	1,570	173	9,508
Elementary Juice Fund	7,215	4,821	10,027	(511)	1,498
Elementary Student Council	324	1,405	950	-	779
Total	\$ 116,128	398,282	350,916	-	163,494

See accompanying independent auditor's report.

## Schedule 4

**Dallas Center-Grimes Community School District**  
**Combining Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 47,124	211,144	14,545	272,813
Accounts receivable	1,571	529	-	2,100
Inventories	15,740	-	-	15,740
Prepaid expense	37,924	-	-	37,924
Total current assets	102,359	211,673	14,545	328,577
Non-current assets:				
Machinery and equipment	481,357	-	-	481,357
Accumulated depreciation	(239,086)	-	-	(239,086)
Total non-current assets	242,271	-	-	242,271
<b>Total assets</b>	<b>344,630</b>	<b>211,673</b>	<b>14,545</b>	<b>570,848</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	214	1,456	92	1,762
Due to other funds	-	198,041	-	198,041
Net OPEB liability	405	-	-	405
<b>Total current liabilities</b>	<b>619</b>	<b>199,497</b>	<b>92</b>	<b>200,208</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	242,271	-	-	242,271
Unrestricted	101,740	12,176	14,453	128,369
<b>Total net assets</b>	<b>\$ 344,011</b>	<b>12,176</b>	<b>14,453</b>	<b>370,640</b>

See accompanying independent auditor's report.

## Schedule 5

**Dallas Center-Grimes Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Operating revenue:				
Local sources:				
Other local sources:				
Food service sales	\$ 710,232	-	-	710,232
Other operating revenue	6,121	212,144	7,450	225,715
Total operating revenues	716,353	212,144	7,450	935,947
Operating expenses:				
Instructional programs:				
Support services:				
Services	-	114,971	1,517	116,488
Supplies	-	80,466	2,240	82,706
Miscellaneous	-	9,960	-	9,960
	-	205,397	3,757	209,154
Non-instructional programs:				
Food services operations:				
Salaries	41,222	-	-	41,222
Benefits	12,198	-	-	12,198
Services	837,499	-	-	837,499
Supplies	61,415	-	-	61,415
Depreciation	39,869	-	-	39,869
	992,203	-	-	992,203
Total operating expenses	992,203	205,397	3,757	1,201,357
Operating income (loss)	(275,850)	6,747	3,693	(265,410)
Non-operating revenue:				
Interest on investments	371	-	-	371
Contributions	-	5,529	-	5,529
State lunch and breakfast program claims	9,058	-	-	9,058
National School Lunch Program	172,456	-	-	172,456
School Breakfast Program	23,127	-	-	23,127
Federal food commodities revenue	60,954	-	-	60,954
Total non-operating revenues	265,966	5,529	-	271,495
Net income (loss)	(9,884)	12,276	3,693	6,085
Net assets beginning of year	353,895	(100)	10,760	364,555
Net assets end of year	\$ 344,011	12,176	14,453	370,640

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 708,661	-	-	708,661
Cash received from miscellaneous operating activities	6,121	211,615	7,450	225,186
Cash payments to employees for services	(53,015)	-	-	(53,015)
Cash payments to suppliers for goods or services	(887,405)	(203,941)	(3,665)	(1,095,011)
Net cash provided (used) by financing activities	(225,638)	7,674	3,785	(214,179)
Cash flows from non-capital financing activities:				
Operating contributions	-	5,529	-	5,529
State grants received	9,058	-	-	9,058
Federal grants received	195,583	-	-	195,583
Net cash provided by non-capital financing activities	204,641	5,529	-	210,170
Cash flows from capital and related financing activities:				
Interfund loan	-	197,941	-	197,941
Net cash provided by capital abd related financing activities	-	197,941	-	197,941
Cash flows from investing activities:				
Interest on investments	371	-	-	371
Net increase in cash and cash equivalents	(20,626)	211,144	3,785	194,303
Cash and cash equivalents at beginning of year	67,750	-	10,760	78,510
Cash and cash equivalents at end of year	\$ 47,124	211,144	14,545	272,813
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (275,850)	6,747	3,693	(265,410)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities received	60,954	-	-	60,954
Depreciation	39,869	-	-	39,869
(Increase) in accounts receivable	(1,571)	(529)	-	(2,100)
Decrease in inventories	6,590	-	-	6,590
(Increase) in prepaid expense	(37,924)	-	-	(37,924)
Increase (decrease) in accounts payable	(18,111)	1,456	92	(16,563)
Increase in other postemployment benefits	405	-	-	405
Net cash provided (used) by operating activities	\$ (225,638)	7,674	3,785	(214,179)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash and investments	\$ 47,124	211,144	14,545	272,813
Cash and cash equivalents at year end	\$ 47,124	211,144	14,545	272,813

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received federal commodities valued at \$60,954.

See accompanying independent auditor's report.

## Schedule 7

**Dallas Center-Grimes Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2010**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 9,355	89,149	88,385	10,119
<b>Total assets</b>	<b>\$ 9,355</b>	<b>89,149</b>	<b>88,385</b>	<b>10,119</b>
<b>Liabilities</b>				
Accounts payable	\$ 9,355	89,149	88,385	10,119
<b>Total liabilities</b>	<b>\$ 9,355</b>	<b>89,149</b>	<b>88,385</b>	<b>10,119</b>

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Nine Years**

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 11,363,921	10,619,714	9,825,186	9,082,518	8,307,448	7,758,249	7,252,099	6,885,291	5,639,466
Tuition	1,395,539	1,012,133	843,932	856,003	762,661	551,096	495,100	391,003	314,990
Other	857,296	1,086,116	1,020,355	1,291,850	749,178	853,784	588,265	763,894	1,239,438
Intermediate sources	-	-	-	-	-	9,160	4,994	3,703	12,781
State sources	7,016,341	8,078,842	7,211,170	6,619,458	6,250,822	5,759,194	5,491,763	5,412,384	5,528,870
Federal sources	1,428,832	572,324	305,557	286,065	183,603	190,888	188,262	136,033	91,365
Total	\$ 22,061,929	21,369,129	19,206,200	18,135,894	16,253,712	15,122,371	14,020,483	13,592,308	12,826,910
Expenditures:									
Instruction:									
Regular	\$ 7,355,452	7,088,478	6,290,307	5,628,941	5,164,281	4,836,598	4,703,605	4,400,590	4,525,336
Special	2,641,397	2,553,384	2,043,222	2,007,372	2,283,500	1,726,074	1,431,814	1,415,187	1,162,614
Other	1,268,276	1,403,303	1,118,647	1,134,497	520,020	833,671	732,951	722,347	803,495
Support services:									
Student	304,895	280,913	308,091	313,631	262,652	274,129	295,459	287,944	276,579
Instructional staff	622,790	625,916	728,554	641,692	607,481	596,483	504,541	517,441	488,846
Administration	1,849,610	1,574,775	1,266,285	1,105,159	1,020,140	996,449	888,813	912,383	872,157
Operation and maintenance of plant	1,924,219	1,906,595	1,711,100	1,701,335	1,540,756	1,448,043	1,313,900	1,180,972	914,528
Transportation	922,979	734,216	908,382	684,799	677,594	705,590	525,324	397,907	379,505
Central support	-	-	-	-	-	-	6,484	17,002	-
Other expenditures:									
Facilities acquisition	414,834	1,685,470	6,838,285	2,855,622	1,830,565	4,100,500	5,399,710	2,516,067	6,942,125
Long-term debt:									
Principal	1,285,301	1,703,506	1,761,407	3,419,786	1,475,000	1,090,000	925,000	950,000	900,000
Interest and other charges	1,011,053	1,031,399	1,092,893	1,171,975	1,053,011	1,115,523	1,165,404	815,501	865,061
AEA flowthrough	689,348	602,958	528,510	483,562	445,711	412,728	405,946	419,009	409,628
Total	\$ 20,290,154	21,190,913	24,595,683	21,148,371	16,880,711	18,135,788	18,298,951	14,552,350	18,539,874

See accompanying independent auditor's report.

## Schedule 9

**Dallas Center-Grimes Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 23,127
National School Lunch Program	10.555	FY 10	233,410 *
			<u>256,537</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	59,496
ARRA - Title I Grants to Local Educational Agencies			
Recovery Act	84.389	FY 10	32,937
			<u>92,433</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>47,330</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>3,061</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>12,675</u>
ARRA - State Fiscal Stabilization Fund (SFSF)			
Education State Grants, Recovery Act	84.394	FY 10	<u>792,479</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 10	89,166
ARRA - Special Education - Grants to States			
Recovery Act	84.391	FY 10	195,050
			<u>284,216</u>
Total			<u>\$ 1,488,731</u>

\* Includes \$60,954 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Dallas Center-Grimes Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 28, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dallas Center-Grimes Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Dallas Center-Grimes Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 28, 2010

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Education of Dallas Center-Grimes Community School District:

**Compliance**

We have audited the compliance of Dallas Center-Grimes Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Dallas Center-Grimes Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Dallas Center-Grimes Community School District's management. Our responsibility is to express an opinion on Dallas Center-Grimes Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas Center-Grimes Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dallas Center-Grimes Community School District's compliance with those requirements.

In our opinion, Dallas Center-Grimes Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Dallas Center-Grimes Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Dallas Center-Grimes Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom Dallas Center-Grimes Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 28, 2010

**Dallas Center-Grimes Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:  
  
CFDA Number 84.394 - ARRA – State Fiscal Stabilization Fund Education State Grants, Recovery Act
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Dallas Center-Grimes Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the certified budget amounts as amended.
- IV-B-10 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

**Dallas Center-Grimes Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010**

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<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Sinclair, Brother to Superintendent, Sinclair Painting	Painting Services	\$31,312
Lakes Printing, Parents of Elementary principal Ann Bass	Printing Services	173

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-10      Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-10      Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-H-10      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10      Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
- IV-J-10      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10      Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Dallas Center-Grimes Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2010**

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IV-L-10      Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	-
Statewide sales, services and use tax revenue		1,406,132
Expenditures/transfers out:		
School infrastructure:		
Facilities acquisition and construction		-
Debt service for school infrastructure:		
Revenue debt		158,116
		<u>158,116</u>
	\$	<u>1,248,016</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1000 of	
	Taxable	Property Tax
	Valuation	Dollars
Debt service levy	\$ 2.55249	\$ 1,406,132